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Second country cooperation framework for Chile (2001-2003)

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Introduction

1. In recent years Chile has maintained a high rate of economic growth and social development, as evidenced by the increase in real wages and in the volume and diversity of its exports and the number of its export markets. At the same time, inflation and unemployment rates have fallen to unprecedented levels. Over the past 10 years, Chile has more than doubled its per capita income, although that trend was interrupted in 1999 as a result of the international financial crisis. One of the chief effects of the crisis was to boost the rate of unemployment to 11.5 per cent in the third quarter of 1999, although it dropped again to 8.9 per cent by the end of December. Despite the crisis, however, the country managed to keep inflation under control (2.3 per cent).

2. Over the past decade poverty declined and the human development index improved from 0.803 in 1990 to 0.893 in 1998. Social spending nearly doubled, particularly on education, health and housing. Decentralization of authority to the regions and the local administrative units (*comunas*) went forward, and human needs were accorded priority in the formulation of public policies.

3. Special government attention and support of various kinds was also given to vulnerable groups such as older persons, persons with disabilities, young people and women heads of household.

4. The Government has also undertaken new initiatives (some now enshrined in law) to improve human security mechanisms, including bills aimed at improving the regulations governing collective bargaining and expanding their coverage; reform of the vocational training system; a bill providing for unemployment insurance; a consumer protection act; and improvements to the system of housing subsidies and State guarantee of housing quality.

I. Development situation from a sustainable human development perspective

5. In comparison to other countries, the extent of the progress Chile has made is even more striking. Chile ranks 38th out of 174 countries and falls within the group with a high human development index.

6. With regard to gender disparities, women fare as well as men (and in some cases better) in Chile in terms of education and health. However, they suffer from marked inequalities with respect to income.

7. Gender inequalities can, of course, only be eliminated when women gain more power to act in the public realm, which will require equitable representation in decision-making positions in the economic, social and political spheres. A major empowerment of women is yet to be realized, although the country's gender empowerment measure (GEM) did increase between 1996 and 2000 from 0.380 to 0.440.

8. In more general terms, it is clear that the achievements in human development have been distributed unequally among the various regions of Chile and that the south central area earns the lowest indicators, below the national average.

9. The trend in regional inequality has been positive in the last decade, as the regional differences have narrowed by around 30 per cent. Other forms of inequality, however, have not similarly diminished. In the past three decades, income distribution has not been completely equitable. Thus, although Chile has made considerable progress, much remains to be done in that area, since 21 per cent of Chileans still live in poverty.

10. The national human development report for 1998, which focused on an analysis of human security, noted the existence of a discrepancy between the people's subjective sense of well-being and the modernization of the country. In essence, as material opportunities have increased, the pressures on people's daily lives and social relations have also intensified.

11. The national human development report published in March 2000 pointed out how the gap could be bridged by strengthening social capacity to govern the future. To do so, the society must concentrate on "the quality of social life", forging and disseminating relationships based on confidence, reciprocity and the willingness to engage in collective action, elements that form the basis of social capital.

12. Aside from being a worthy end in itself, promoting the quality of social life is a means of strengthening the social roots of public action, creating a public-spirited citizenry and reinforcing democracy. To take on these challenges will be one of the country's main tasks, as it seeks to consolidate and extend the progress it has made in sustainable human development.

II. Results and lessons of past cooperation

13. In 1997 the Government of Chile and the United Nations Development Programme (UNDP) drew up the first cooperation framework for the period 1997-1999, later extended to the end of 2000 to allow time to complete the initiatives taken under the first framework and to prepare the second framework, which was to take effect in 2001. Under the first framework an arrangement was instituted whereby the Government contributes to funding, an indication of the importance of the UNDP presence in Chile.

14. The first cooperation framework accorded priority to strengthening social programmes, democratic governance and environmental sustainability. A joint evaluation of the cooperation framework brought out the positive results achieved in each of these areas. Resources were mobilized in accordance with the arrangements set up under the cooperation framework. However, the various projects were not sufficiently intercoordinated and merely addressed specific problems, rather than fitting into a comprehensive programme. It is recommended that under the cooperation framework 2001-2003 the monitoring, evaluation and tripartite meetings should be first systematized and improved in form and content, and, secondly, that the programming modality adopted should be broader and make better use of synergies, exchange of experience and complementarity of tasks between projects; it is therefore suggested that representatives of the projects and the relevant government authorities should participate in the above meetings.

15. In relation to social programmes, UNDP supported the Government in the implementation of its social development policy. The social component of the cooperation programme included worthwhile poverty-reduction initiatives in support of government actions. Of particular note was the collaboration with the National Anti-Poverty Foundation, which is made up of representatives of the main poverty-reduction agencies in Chile and would not have been feasible without UNDP input. The country programme also included assistance to high-priority groups (older persons, persons with disabilities, pregnant teenagers) and the prevention of social pathologies (drug abuse, HIV/AIDS). UNDP signed a very significant agreement with the Ministry of Health regarding the equipping of national hospitals and the provision of technical advisory assistance.

16. Under the first cooperation framework two human development reports (1998 and 2000) were produced. The focus and content of these reports were highly useful as guidelines for many public policies and for the evaluation of many government programmes and introduced new themes and perspectives into the national debate. Both reports have been used as a basis for strategies to combat inequity, promote human security and strengthen social capital and have created much demand for UNDP advisory services from ministries, regional and local administrations, members of Congress, political parties, trade unions, academic institutions and private organizations, among others, to help them formulate policy.

17. As for democratic governance, UNDP supported the Presidential Agenda during the period 1997-2000, providing technical assistance in critical areas at the highest levels of Government through high-quality, flexible and efficient advisory services. UNDP also provided considerable support to the process of regional decentralization and deconcentration. Through the Programme of Support for Regional Development (PADERE) it generated lasting products such as the system of regional information (SIR or INFOPAIS) and the Index of Regional Economic Activity (INACER).

18. Under the project of support for the Office of the President, UNDP did important analytical work and also carried out activities related to systematizing and disseminating internal auditing methods and policies and making them available to the national authorities.

19. In relation to environmental sustainability, the effective small grants programme financed by the Global Environment Facility (GEF) has yielded good results by increasing or strengthening the capacity of local communities to participate fully in decision-making and has demonstrated the great potential of intersectoral activities incorporating the issues of gender, indigenous peoples and poverty eradication. In addition, GEF approved two large-scale energy projects, which should help the Government fulfil its international commitments on reducing the effects of climate change and of the thinning of the ozone layer. However, the scope of issues addressed and resources mobilized in Chile during the period fell short of their potential.

III. Objectives, programme areas and expected results

20. A priority task for the Government of Chile is to correct the great inequality of opportunity among its people. The task is all the harder because of globalization and technological transformation, which are creating new equity gaps arising from the

development process itself. Hence it is essential for the Government to rethink and redesign its strategy in the light of the new developments in the economic realm, in social relations and in social capital. The Government has expressed its desire to continue to have the help of UNDP in tackling these new problems.

21. Based on a diagnostic study of the country's situation, the Government identified a set of priority issues for the period 2000-2006: reforming the political system; reforming the health system; developing cultural activities; promoting the use of new information technologies by the entire population; improving working conditions and the quality of life in cities; and stimulating private activity through the modernization of public administration and the setting of fiscal targets. The reforms envisaged can be classified into four categories: democratic reforms (constitutional, political, decentralization, administration); reforms to foster development (economic, technological, regulatory, modernization of the State, small and medium-sized enterprises); reforms to promote equality (education, retirement pensions, job protection, indigenous peoples); and reforms to improve the quality of life (culture, human security, pollution control, the urban environment).

22. The above issues, together with the reforms of the judicial and educational systems already initiated, represent the areas in which the Government of Chile would like to have the collaboration of UNDP during the period 2001-2003 on two levels: (a) through the wealth of theoretical thinking and empirical studies done by UNDP on the subject of human development; and (b) through the technical support that UNDP can provide for programmes under the new cooperation framework.

23. The Government hopes that in its future work UNDP will replace independent projects with the programme approach, along the lines set forth in the Memorandum of Understanding signed between the Government of Chile and UNDP in May 2000 and the Presidential Agenda described in paragraph 21 above.

24. Moreover, in accordance with the conclusions reached at the Millennium Summit of the United Nations and the ministerial meeting held in New York in September 2000, the Government is hoping for a new conceptualization of the contribution the United Nations system can make in response to the country's new needs. There is a need for closer relations and cooperation among all the agencies of the United Nations and coordination with other multilateral organizations.

25. The Government has therefore decided that UNDP cooperation with Chile during the period 2001-2003 should be focused on two areas, the first being democratic governance and competitiveness and the second, social cohesion and equity.

26. Apart from the thematic areas indicated and their cross-cutting interrelations, UNDP will pay special attention to the issues of poverty and inequality, gender equality, the environment and social responsibility, helping to create the conditions that further or make more feasible the Government's efforts to implement its policies.

A. Democratic governance and competitiveness

27. *Democratic reforms.* Among the wide-ranging reforms the Government will be promoting during the period 2000-2006, there are two areas of great significance which will require the collaboration of UNDP. The first is the modernization of the

State to improve management, specifically with regard to the institutional structure of the executive branch, the public management model, the effective application of the Honesty in Public Administration Act and social institution-building. Secondly, under the second-generation decentralization reforms that will be undertaken, support will be needed for regional and local government institution-building, decentralization of administrative and fiscal responsibilities, promotion of civic participation and the build-up of social capital at decentralized levels.

28. *Expected results.* On the basis of studies, consultations, meetings and training, a set of concrete proposals will be developed on each issue that will assist the Government in deciding on the relevant courses of action to be followed.

29. *Reforms in governance.* In this area, the objective of UNDP collaboration will be the modernization of the State for the sake of development; specific emphasis will be placed on the use of electronic media at the local level to improve delivery of services, facilitate productive development and promote civic participation.

30. *Expected results.* Many municipalities, especially those most in need of support, will be enabled to use modern information and communications technologies to improve the delivery of various services and encourage civic participation.

B. Social cohesion and equity

31. *Strategic thinking.* UNDP will collaborate with the Government in a process of strategic thinking proportionate to the scope and complexity of the challenges entailed by the future stages of the country's growth and development. UNDP will continue to provide substantive information about various aspects of Chilean society by producing the human development reports for 2002 and 2004 and calculating the human development index for specific social sectors. It will also contribute to thinking about globalization and its effects on Chile and will provide opportunities for dialogue to deepen analysis of the economic model, the country's political institutional model, the environmental sustainability of its development strategy and the appropriate policies and institutions to achieve that objective. In addition, it will be the role of UNDP to complement the Government's efforts in the forums for dialogue already instituted, with emphasis chiefly on social dialogue and on relations between the State and civil society.

32. *Expected results.* The human development report 2002 on the theme of culture will be published, and work will begin on the report for 2004, on a theme to be determined. Gender-related human development indices and human development indices for specific ethnic groups will be calculated. Documents will be produced containing conclusions and proposals based on research, seminars and workshops on the various themes to be addressed. A set of pilot projects on environmental sustainability, capable of being replicated and expanded, will be recommended. A report on the state of the environment in Chile will be published. Proposals will be put forward on legal amendments or other changes required to improve channels of social dialogue and social responsibility on the part of business.

33. *Inequality and poverty.* With regard to poverty, UNDP is to collaborate in building capacity, particularly that of civil society and the private sector, to reduce

and eradicate poverty in accordance with the targets set at the national, regional and global levels at United Nations conferences in the past decade.

34. *Expected results*. The capacity of the public sector and civil society to implement poverty-reduction policies will be heightened, and knowledge that could improve those policies will be gained.

35. *Reforms to foster economic growth*. In this area, UNDP will collaborate with the Government in bringing information and communications technologies to the people in order to eliminate inequality of opportunity and to mainstream groups that are either discriminated against (indigenous peoples, women) or marginalized by globalization (traditional agriculture sectors). It will also help introduce the use of such technologies in small and medium-sized enterprises and other sectors in order to develop entrepreneurial capacity appropriate to the new economy.

36. *Expected results*. Small and medium-sized enterprises and certain vulnerable groups will be enabled to take advantage of the development opportunities created by globalization; the entrepreneurial capacity of certain groups now excluded from the benefits of development will be increased.

37. *Reforms to achieve equality*. In relation to these reforms, UNDP will cooperate with the Government on various aspects of social protection, the intersectoral aspects of educational reform, institution-building as part of the reform of the health sector and overcoming or reducing inequality for vulnerable groups, primarily the various ethnic groups.

38. *Expected results*. Reports of findings and proposals to enrich official policies will be produced. It is expected that the experience gained from carrying out pilot projects will facilitate their replication and extension to other sectors and areas of the country. A set of documents will be published on effective and systematic intersectoral application of some priority issues, such as gender and ethnic issues, to public policies.

39. *Reforms to improve the quality of life*. In this area, UNDP will collaborate on the matters of governance and on the urban management and administration model and will support urban projects involving a variety of social sectors in a number of cities throughout the country. It will collaborate in preventing drug addiction, especially among the young. It will provide input for a cultural policy and an integrated policy on recreation and leisure time, directed towards youth in particular.

40. *Expected results*. Specific proposals for improving urban development policies and a report on achieving the targets of the Ministry of Housing and Urban Development's major socially cross-cutting urban projects will be produced; projects on redirecting municipal management towards development of the urban environment will be carried out; reports will be written on the results of integrated support programmes for young people belonging to high-priority groups.

C. Intersectoral issues

41. *Gender equity*. UNDP expects to collaborate in mainstreaming gender issues across sectoral lines in the design of public policies and in private sector and civil society initiatives, drawing on international experience in this area. It also intends to further the analysis and create indicators of the status of women in various contexts

as a basis for proposals for effective action in the main spheres in which discriminatory practices prevail (the educational system, the judiciary, the preparation of programmes and budgets).

42. *Expected results*. A gender perspective will be systematically incorporated in the formulation of sectoral public policies. The analysis of gender inequality will be refined. Gender empowerment measures will be taken to improve analysis and policies in that area.

43. *Environmental sustainability*. UNDP will collaborate on national and global environmental issues for which there are clear financing options and which fall under its sphere of competence, including climate change, ozone depletion, biological diversity and desertification.

44. *Expected results*. Existing alliances will be consolidated and others identified by discovering the needs of the communities themselves and those of local, provincial and regional authorities. Resources will be mobilized. The private sector will become involved in environmental issues. Permanent forums for analysis and debate will be created with the aim of incorporating priority themes into the public agenda and debate.

45. *Corporate social responsibility*. Since an enterprise is increasingly a multifunctional institution in which the market, the State and the social realm interpenetrate and influence one another, UNDP will collaborate in the Social Round Table initiative, with the aim of developing and strengthening a culture of social responsibility and mutual confidence between firms, citizens and the main actors in the public sector by generating intersectoral dialogue and creating opportunities for cooperation through effective legislative tools, social networks and exchange of specialized knowledge on topics relevant to sustainable human development.

46. *Expected results*. A solid culture of corporate social responsibility will be generated. Social networks will be formed linking management, labour and civil society in activities that foster the full expression of corporate social responsibility.

IV. Management arrangements

47. *Execution of the programme and mobilization of resources*. Taking into account previous experience, the Government will continue to follow the national execution modality under which the local UNDP office plays an important part in operations. However, national counterparts will gradually assume greater responsibility for carrying out activities under technical assistance projects. National capacity for efficient implementation of national, regional or local public policies will thus be strengthened. On specific issues, the involvement of institutions of civil society and the private sector will be sought, with the aim of expanding and enriching the approaches taken, the analyses done and the exchange of ideas.

48. The Memorandum of Understanding between the Government of Chile and UNDP, signed on 30 May 2000, governs the use of funds provided by Governments or under bilateral agreements, and by multilateral organizations or private institutions, for development services such as the acquisition of foreign goods and technologies using strict, modern management, control and auditing systems.

49. Given the high priority assigned to international cooperation in Chile's foreign policy, UNDP will continue to support the initiatives involving technical cooperation among developing countries (TCDC). In addition, applying the programme approach to sustainable human development, UNDP will collaborate with the Government in programme areas of special interest, including poverty, inequality, governance, decentralization, gender, the environment and corporate social responsibility. The aim will be to create opportunities for dialogue and interaction that will make it possible to narrow differences in views in order to encourage consensus or rapprochement, build confidence among protagonists and set up networks of exchange and cooperation to harmonize the desires of the various social actors.

50. To carry out these initiatives, the Government has committed resources to cover its share of the funding of the programme. In addition, mobilization of additional resources in the amount of approximately $200 million has been initiated, which will make it possible to maximize the effects of UNDP actions under the second cooperation framework.

51. *Monitoring and evaluation.* During the period of the second cooperation framework, there will be follow-up and evaluation visits in order to adjust the implementation and monitor the attainment of programme goals. Special attention will be given to evaluation of the results obtained.

52. To improve project monitoring, thematic workshops will continue to be held to determine the relevance of various actions in particular areas.

Annex

Resource mobilization target table for Chile (2001-2003)

Source	Amount (In thousands of United States dollars)	Comments
UNDP regular resources		
Estimated carry-over	348	Includes carryover of TRAC 1.1.1 and 1.1.2 and earlier AOS allocations.
TRAC 1.1.1	351	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	42	
Subtotal	**741***	
UNDP other resources		
Government cost-sharing	217 006	
Third-party cost-sharing	4 000	
Funds, trust funds and other	11 371	
	of which:	
UNV	21	
UNIFEM	42	
UNFPA	150	
UNDCP	60	
GEF	11 098	
Subtotal	**232 377**	
Grand total	**233 118**	

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SPPD = support for policy and programme development; STS = support for technical services; UNDCP = United Nations International Drug Control Programme; UNFPA = United Nations Population Fund; UNIFEM = United Nations Development Fund for Women; UNV = United Nations Volunteers.

* Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.